



**International Chamber of Commerce**

*The world business organization*

## **ICC Policy Statement**

### **Capacity building to improve trade facilitation**

Prepared by the Commission on Customs & Trade Regulations

#### **Introduction**

Business as well as governments and international organizations have been involved in capacity building related to cross border transactions and customs issues for some time. A large proportion of the funding and technical assistance has been undertaken in the form of isolated projects and not part of a coherent improvement process using recognized best practices. As a result, improvements in the management and control of international trade have not progressed as much as might have been expected, considering the resources that have been applied to capacity building. As new focus and new resources are now being brought to this issue, the International Chamber of Commerce (ICC) considers it timely to review the essential elements to ensure positive results.

Capacity building to improve trade facilitation in cross-border transactions is currently commanding a higher priority in response to a number of reinforcing developments:

- the World Trade Organization (WTO) Doha Development Agenda commits WTO members to "ensuring adequate technical assistance and support for capacity building in this area," which is part of the broader commitment to technical assistance and capacity building for trade-related purposes in this negotiation;
  - the World Bank has recognized that trade facilitation is important to achieve trade benefits that address the Bank's objective of reducing world poverty;
  - the World Customs Organization (WCO) has identified capacity building as an important component to improve the security and facilitation of the goods supply chain;
  - capacity building will be needed to implement the WCO's revised Kyoto Convention to simplify customs procedures;
  - WTO is already coordinating technical assistance to improve implementation of the WTO Valuation Agreement;
- There is emphasis on trade facilitation capacity building in various regional initiatives such as the Asia Pacific Economic Cooperation (APEC), Free Trade Area of the Americas (FTAA) and Southeast Europe.

#### **ICC support for capacity building in trade facilitation**

ICC, on behalf of its member companies, is already on record as supporting the need for capacity building related to many of these initiatives. In its policy statement on a WTO agreement on trade facilitation of April 2003, ICC said that capacity building is vital for countries unable to finance improvements in border management. ICC called for inclusion of capacity building commitments with designated funding in the negotiations on a WTO agreement on trade facilitation. ICC has also supported capacity building and technical assistance to improve the capacity of developing countries to detect and prosecute valuation fraud as they implement the WTO Valuation Agreement. The updated ICC Customs Guidelines, which now include Explanatory Notes, can be an important tool for assessment and management of capacity building initiatives (see attached Annex).

#### **Points of concern to business**

To improve the efficiency of capacity building efforts and to avoid waste and duplication, ICC has identified several challenges for these renewed efforts:

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#### **- Co-ordination**

The piecemeal approach to capacity building that has prevailed in the past is no longer acceptable. Governments and international organizations responsible for the disbursement of funds and technical resources must adopt a coherent approach to capacity building, which ensures that programmes are based on agreed best practices, designed to suit the specific needs of individual recipient countries and are not a short term stopgap measure, but are instead aimed at producing sustainable benefits.

Co-ordination must be achieved through a leadership role taken by one of the relevant international organizations or developed between them. ICC calls on donor governments and institutions to vastly improve the coordination of assistance elements to ensure efficient use of resources while minimizing duplication and maximizing synergies. Coordination should take place in a partnership with all key stakeholders, including donor governments, recipient governments, and the private sector.

#### **- Sustained efforts and durable results**

A primary requirement of capacity building is that it should develop a sustainable capability to manage international transactions more effectively. One key to sustainable results is to ensure that Customs personnel understand the need for and are committed to lasting improvements in Customs performance.

#### **- Building management capacity**

Though detailed knowledge of trade regulations and customs law is important, the overall organizational management process is equally vital. Development of efficient and effective management has to be one of the highest priorities for capacity building. Skills to manage organizational change are essential for sustained efforts and durable results.

#### **- Common standards**

Given the large number of active donor organizations and consultants involved in renewed efforts, it will be critical to maximize the promotion of common standards, compatible practices and interoperability. Donors should provide common training modules that are politically neutral. Technical training should reinforce global standards, not national or regional variations.

The WCO is a key engine of common standards for Customs practices, for example with its revised Kyoto Convention for Harmonization and Simplification of Customs Practices. Other donors should help promote these and other international standards. A center that collects, collates and analyses best practices related to the management of the international supply chain would be of immeasurable value for all concerned with international trade. The ICC Guidelines embody the standard elements of a modern Customs authority sought by business.

In this regard, ICC supports the establishment of permanent regional training centers modeled on the WTO's prototype on regional trade policy training courses in Kenya and Morocco. Combined with distance learning technologies, such centers would bolster both the sustainability and the uniformity of training. One critical area is the need for interoperability of electronic systems (as stated in the ICC policy statement on security and trade facilitation of November 2002).

#### **- Adaptation to specific needs**

Commitment to capacity building should be based on individual member needs and not just limited to training packages. Efforts should take due regard of the infrastructure development of countries and build both capability and competence in a way that will lead to sustainable development.

#### **- Holistic approach**

Capacity building should not be an isolated activity. Effective and sustained improvement requires a holistic approach to the modernization and overall management of the trading process. For example, it is of little value improving the legal basis of customs regulations if the judicial system is not effective. Similarly, release of goods in advance of final settlement of duty obligations is not possible where a country's financial system does not accommodate an adequate guarantor payment.

#### **- Transparency and measurement**

Transparency is key to the improvement of any management process. It is crucial to ensure that capacity building projects result in a measurable improvement in the border management process and more efficient movement of goods across national borders.

Before a capacity building project is undertaken, there should be a 'pre-assessment' of the state of the border management process. That assessment should be followed by subsequent assessments during the process and after it has been completed. The ICC Guidelines can be used as one tool for a general pre-assessment. Measurements are needed of both the before and after process so that improvements can be clearly quantified and sustained. Programmes should include targets for completion and built-in measuring systems. Monitoring systems should be maintained after completion to serve as alerts to any deterioration of capacity. Measurement should be applied to all elements of the border transaction including port facilities and other agencies beyond Customs authorities. This is a critical diagnostic tool to avoid expensive investment in infrastructure that does not address the facilitation obstacles lodged elsewhere, as for example in a real case of port expansion documented in the ICC policy statement "Trade liberalization, foreign direct investment and customs modernization: a virtuous circle" of October 1999. Pre-assessment is also necessary to check the likely viability of capacity building programmes, and to identify the critical elements and priority issues in each case to permit the adaptation to individual needs.

Capacity building should improve the efficiency of the supply chain, enabling cost effective control and revenue collection, lower inventory levels, and ensure a predictable and secure supply.

#### **- Building confidence**

Consistent with the above concerns, WTO members should explore creative ways to build confidence in the benefits of trade facilitation through targeted capacity building and technical assistance. For example, WTO members could develop comprehensive capacity building and technical assistance programmes for selected "test" countries, covering trade facilitation, judicial reform, corruption, and other matters. The experience under these programmes, as demonstrated using measurable benchmarks, could then be used to build members' confidence in trade facilitation generally and in developing effective capacity building and technical assistance measures for other countries in the future.

#### **- Partnership with the private sector**

Private sector involvement can help ensure that new capacity actually does improve facilitation and smooth border clearance, which is the primary trade facilitation objective. Business can make positive contributions toward this goal, including those outlined below.

#### **Business contribution to capacity building**

International business is very supportive of the process of capacity building. The competitive environment in which enterprises operate ensures that they constantly seek improvements in the

supply chain process. They can readily measure the impact of improvements and deficiencies in the management of cross border transactions.

Companies can contribute significantly in a number of areas that would be of real benefit to the capacity building programme:

- contribute to assessment of capacity needs, in conjunction with other assessment techniques such as measurement and peer review;
- assist in establishing an effective coordinated funding process for capacity building and the standards/best practices that should be adopted;
- provide expertise in the development of free market economies, private enterprise and in supply chain management;
- provide expertise in international law;
- provide expertise in managing border transactions;
- share real experience in the management of change;
- assist in the use of measurement to improve performance.

A framework for capacity building must be agreed to amongst the major donors and likely recipients at the same time while a WTO agreement on trade facilitation is being implemented. Even before the WTO agreement is implemented, work must start on a coordinated approach to funding and managing capacity building.

Annex: ICC Customs Guidelines

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Document 104-21rev.2 Final  
17 September 2003